Group profit and loss account for the year ended 31st March 1976

	Notes	1976 £000	1975 £000
Sales		647,509	531,483
Less VAT		36,270	28,672
		611,239	502,811
Profit before taxation	2	72,167	65,673
Taxation	3	35,891	33,990
Profit after taxation		36,276	31,683
Attributable to minority interests		576	273
Profit attributable to shareholders	4	35,700	31,410
Dividends paid and proposed			
Interim of ·8859p per share		3,155	2,900
Proposed final of 1·5528p per share		5,531	5,083
2·4387p per share			
Profit retained		27,014	23,427
Earnings per share	5	10·0p	8·8p

The notes on pages 19 to 23 form part of the accounts

Sources and applications of funds for the year ended 31st March 1976

		1976 £m	1976 £m	1975 £m	1975 £m
Sources	Profit before taxation		72·2		65·7
	Depreciation		8·7		7·3
	Book value of fixed assets sold		2·3		1·5
	Pension provision		8·8		—
			92·0		74·5
	Funds from outside sources		—		·1
			92·0		74·6
Applications	Capital expenditure		32·4		35·7
	Investments		·8		—
	Working capital:				
	Increase in stocks	20·6		13·0	
	Increase in debtors	5·5		6·5	
	Increase in creditors	(17·2)		(10·8)	
			8·9		8·7
	Redemption of loan capital		·2		·1
	Dividends paid		8·2		7·6
	Taxation paid		24·6		18·9
	Other applications		·2		·2
			75·3		71·2
Net liquid funds	At 31st March 1976	52·1		35·4	
	At 31st March 1975	35·4		32·0	
			16·7		3·4
			92·0		74·6

Balance sheets — 31st March 1976

Sources of capital	Notes	Group 1976 £000	Group 1975 £000	Parent 1976 £000	Parent 1975 £000
Shareholders' interests					
Share capital	6	**89,042**	44,521	**89,042**	44,521
Share premium	7	**—**	3,289	**—**	3,289
Reserves	8	**116,908**	130,916	**55,882**	78,615
		205,950	178,726	**144,924**	126,425
Loan capital	9	**11,623**	11,819	**7,743**	7,743
Minority interests		**1,231**	849	**—**	—
Deferred taxation	10	**31,122**	26,138	**8,533**	10,301
Provision for pensions	2	**8,830**	—	**8,830**	—
		258,756	217,532	**170,030**	144,469

Employment of capital	Notes	Group 1976 £000	Group 1975 £000	Parent 1976 £000	Parent 1975 £000
Fixed assets	11	**169,796**	148,139	**34,166**	29,695
Subsidiaries	12	**—**	—	**83,817**	73,795
Investments	13	**852**	23	**826**	—
Net current assets	14	**88,108**	69,370	**51,221**	40,979
		258,756	217,532	**170,030**	144,469

G. I. HOBDAY
D. E. M. APPLEBY
Directors

The notes on pages 19 to 23 form part of the accounts

Notice of annual general meeting

Notice is hereby given that the annual general meeting of The Boots Company Ltd, will be held et 1 Thane Road West, Nottingham, on Thursday the 15th day of July 1976, at 12 noon.

The business of the meeting will be:

(a) To receive the directors' report and statement of accounts and the auditors' report thereon.

(b) To declare e final dividend.

(c) To elect directors.

(d) To fix the remuneration of the auditors.

(e) To transact any other business which may be dealt with at the meeting.

NOTES

1. A member entitled to attend and vote may appoint one or more proxies (who need not be members) to attend and vote instead of him.

2. A statement of transactions of directors (and of their family interests) in the shares of the company will be available for inspection at 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 17th June to 14th July 1976, during usual business hours, and on 15th July 1976 from 11·45 a.m. until the conclusion of the meeting.

3. No director of the company has a service agreement.

By order of the board,
D. N. EDMUNDSON,
Secretary.

Dated this 17th day of June 1976.

The directors would be glad to have an opportunity of meeting shareholders who will be attending.

Coffee will be served prior to the meeting from 11·15 a.m.

Annual report for the year ended 31st March 1976

CONTENTS

DATES AND FACTS TO NOTE

Dividend and interest payments

Ordinary dividend Interim: Announced November. Payable January.
Final: Proposed May. Payable July.

6% loan stock interest: Paid 30th June, 30th September, 31st December and 31st March.

6½% loan stock interest: Paid 1st September and 1st March.

7¾% loan stock interest: Paid 30th September and 31st March.

8% loan stock interest: Paid 31st July and 31st January.

Results

For half-year: Announced November.

For the year: Announced May.

Report and accounts: Circulated June.

For capital gains tax purposes the market value of a Boots share on 6th April 1965 was 40p and of £100 6% loan stock was £90·37½.

Board of directors

Chairman	G. I. Hobday
Managing directors	A. D. Spencer D. E. M. Appleby
Directors	*J. H. Arkell, C.B.E. L. A. Coombs H. J. Hann B. Jefferies P. T. Main, M.D. *Lord Redmayne, P.C., D.S.O. *M. J. Verey A. G. S. Wilkes F. W. Wright, F.P.S.
Secretary	D. N. Edmundson
Registered office	Nottingham, NG2 3AA
Auditors	Peat, Marwick, Mitchell & Co.
Bankers	National Westminster Bank Ltd.

*Non-executive directors

Report of the directors

The directors submit their eighty-eighth annual report to shareholders, together with the audited accounts for the year ended 31st March 1976.

Profits, dividends and retentions

The group profit and loss account shows a profit before taxation of £72,167,000 compared with £65,673,000 for the previous year, and a profit after taxation of £36,276,000 as against £31,683,000.

The profit after taxation attributable to the shareholders is £35,700,000 compared with £31,410,000 for the previous year.

The directors recommend the payment of a final dividend of 1·5528p per share, which together with the interim dividend paid on 9th January 1976, makes a total dividend of 2·4387p per share for the year. A higher dividend is precluded by the Government's Counter-Inflation measures.

The remainder of the group net profit after paying these dividends is £27,014,000 which has been transferred to reserves.

Further details are shown on page 16.

Principal activities

The principal activities of the group are those of:

Retailers of chemist and other merchandise.
Research, manufacturing and marketing of pharmaceuticals, toiletries, and agricultural chemicals throughout the world.

Report of the directors continued

Principal activities (contd.)

Sales and profits are shown below:

	1976		1975	
	Sales £m	Profits £m	Sales £m	Profits £m
Retailing	564·5	45·7	464·6	39·7
Manufacturing UK	79·4	13·1	63·7	9·7
Exports	29·4	12·1	22·9	8·4
Overseas subsidiaries	33·0	6·1	25·1	3·8
Interest and other net income	—	4·0	—	4·1
Pension Fund provision	—	(8·8)	—	—
Sales within the group	(58·8)	—	(44·8)	—
	647·5	72·2	531·5	65·7
Overseas sales and profits included above are: Africa and Near East	10·6	3·0	8·0	1·8
Australasia	8·3	1·6	6·5	1·3
Asia	10·4	2·5	8·5	2·2
Americas	4·6	4·0	2·7	1·2
Europe	19·8	7·1	17·3	5·7
	53·7	18·2	43·0	12·2

Fixed assets

The directors are of the opinion that the market values of the properties of the group, which are all employed in the business, are substantially in excess of the net book value of £113,734,000 which, together with movements of fixed assets, is shown in note 11 on page 21.

Employees

The average weekly number of employees in the UK during the year was 66,614 which included 30,626 part-time staff.

The aggregate remuneration paid to these employees was £100,621,000.

The 29 non-white employees of our South African company are all paid substantially above the Johannesburg P.D.L. By planned progression all will be on at least the M.E.L. by the first quarter of 1977.

Charitable and political payments

Payments totalling £96,000 have been made during the year for charitable and educational purposes. There were no political payments.

Directors

Lord Redmayne, P.C., D.S.O., retires by rotation in accordance with article 100 and offers himself for re-election. Mr. J. H. Arkell, C.B.E. and Lord Redmayne, having attained the age of 65, have both been requested by the board to continue in office pursuant to article 109(g).

The names of the directors and their interests in the share and loan capital of the company are shown on page 28. No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group business.

Company status

The Boots Company Ltd. is not a close company.

Auditors

The auditors, Messrs. Peat, Marwick, Mitchell & Co., are willing to continue in office and a resolution concerning their remuneration will be proposed at the annual general meeting.

By order of the board,
D. N. EDMUNDSON, Secretary.
20th May 1976.

Principal companies

		Percentage held by Parent	Percentage held by Subsidiaries
Parent	The Boots Company Ltd.		
Subsidiaries (incorporated in Great Britain)	Boots The Chemists Ltd.	100	
	Boots Pure Drug Co. Ltd.	100	
	Boots International Ltd.	100	
	Boots Farm Sales Ltd.	100	
	Timothy Whites Ltd.	100	
	Whites Property Co. Ltd.		100
	The Crookes Laboratories Group Ltd.	100	
	Crookes Anestan Ltd.	100	
	Watts Brothers (Manchester) Ltd.	100	
Subsidiaries (incorporated overseas)	*Australia* The Boots Company (Australia) Pty. Ltd.	100	
	Belgium The Boots Company (Belgium) S.A.		100
	France Laboratoires Dacour, S.A.	92·5	
	Holland The Boots Company (Holland) B.V.	100	
	India The Boots Company (India) Ltd.	58·1	
	Italy Boots-Formenti S.p.A.	55	
	Kenya The Boots Company (Kenya) Ltd.		100
	New Zealand Boots The Chemists (New Zealand) Ltd.	100	
	Nigeria The Boots Company (Nigeria) Ltd.	60	
	Pakistan The Boots Company (Pakistan) Ltd.	56·5	
	Singapore The Boots Company (Far East) Pte. Ltd.	100	
	South Africa The Boots Company (South Africa) (Pty.) Ltd.	100	
	Tanzania K.O.C. (Tanzania) Ltd.		100
	Thailand The Boots Company (Thailand) Ltd.	100	

All the above shares held are ordinary shares.
All the companies operate principally in the country of incorporation.

Directors and officers of principal subsidiaries

Boots The Chemists Ltd.

Chairmen	A. D. Spencer D. E. M. Appleby	
Directors	K. Ackroyd, M.P.S. A. A. Binney S. R. Burdon, M.P.S. D. Cargill R. Clair, M.P.S. W. Cooper, M.P.S. J. G. Davies, M.P.S. T. K. W. Davies Miss G. F. Davis L. W. Day, M.P.S. M. Gibson R. N. Gunn H. J. Hann D. Happs, M.P.S.	W. D. Jarrett, M.P.S. B. Jefferies W. K. S. Moore, M.B., B.Chir. A. G. Price, M.P.S. A. P. Ridley-Thompson J. M. T. Ross, F.P.S. B. Silverman, M.P.S. G. R. Solway G. M. Tebbot, M.P.S. J. I. Thomson, M.P.S. K. F. Whynes, M.P.S. A. G. S. Wilkes F. W. Wright, F.P.S.
Secretary	D. N. Edmundson	

Timothy Whites Ltd.

Chairmen	A. D. Spencer D. E. M. Appleby	
Directors	E. A. Cleaver T. K. W. Davies R. N. Gunn H. J. Hann	B. Jefferies J. A. Prescott, M.P.S. C. D. Weston F. W. Wright, F.P.S.
Secretary	D. N. Edmundson	

Boots Pure Drug Co. Ltd.

Chairmen	A. D. Spencer D. E. M. Appleby	
Directors	E. L. Archer, O.B.E. G. Buxton E. E. Cliffe L. A. Coombs S. A. Hibbert, M.P.S. G. A. Hollows B. Jefferies	S. A. B. Kipping P. T. Main, M.D. Miss J. M. Savage C. E. G. Scarth A. G. S. Wilkes J. H. Wilson
Secretary	I. A. Hawtin	

Boots International Ltd.

Chairmen	A. D. Spencer D. E. M. Appleby	
Directors	L. A. Coombs B. Jefferies I. F. Kent P. T. Main, M.D.	T. G. Richardson K. T. Robinson A. G. S. Wilkes
Secretary	I. A. Hawtin	

Boots Farm Sales Ltd.

Chairman	L. A. Coombs	
Directors	D. J. Higgons I. F. Kent	G. M. Rankin N. J. Reeves
Secretary	I. A. Hawtin	

Group highlights — for the year ended 31st March 1976

		% change over previous year
Sales Ventes Umsätze	£647·5 million	+ 21·8%
of which: dont: davon:		
Sales in the UK Ventes au Royaume Uni Umsatze innerhalb des Vereinigten Königreiches	£593·8 million	+ 21·6%
***Exports from the UK** Ventes exportées du Royaume Uni Exporte aus dem Vereinigten Königreich	£ 29·4 million	+ 28·4%
***Sales by overseas subsidiaries** Ventes des filiales étrangères Umsätze der ausländischen Tochtergesellschaften	£ 33·0 million	+ 31·8%
Profit before taxation Bénéfice avant impôt Gewinn vor Ertragsteuern	£ 72·2 million	+ 9·9%
Profit after taxation attributable to shareholders Bénéfice après impôt revenant aux actionnaires Anteil des Gewinns nach Ertragsteuern, der auf die Aktionäre entfällt	£ 35·7 million	
Earnings per share Bénéfice par action Gewinn pro Aktie	10·0 p	
Dividends to shareholders Dividende proposé Dividendenvorschlag	£ 8·7 million	
Retained in the business Report à nouveau Gewinnvortrag	£ 27·0 million	
Capital expenditure during the year Investissements de l'année Investitionen während des Jahres	£ 32·4 million	

*Includes sales within the group totalling £8·7 million.

Statement by the Chairman Dr. G. I. Hobday

As we expected, 1976 was a difficult year. For the United Kingdom it was a second year of serious recession in which inflation reached a very high level and economic growth declined. Nevertheless we expected that the Company would make some progress and this was achieved. Our overall world sales increased by 21·8% and sales at home, exports and overseas sales all contributed to the increase.

Profit and Taxation

Group profit before taxation increased by 9·9% to £72·2m., after providing an additional contribution of £8·8m. to our employees' Pension Fund, to which separately-administered Trust the large increases in wage and salary levels in the last two years have added considerable burdens. Trading profits before deducting this pension contribution increased by about 22%, in line with the overall increase in sales.

We attach particular importance to the real value of pensions in retirement and to their provision on the basis of final pay in service. To be able so to do, however, requires profitability at adequate levels to sustain employment, investment and growth. The pressures of competition in a static market have caused the Company to operate at much lower levels of profitability in the U.K. than those which would have been permissible under the Price Code.

After deducting Corporation Tax of £35·9m. and the interest of minority shareholders in some overseas subsidiary companies of £0·6m. the profit attributable to shareholders is £35·7m., equivalent to 10·0 pence per share compared with 8·8 pence last year after adjusting for the effects of the one-for-one share capitalisation issue which was made to shareholders during the year.

Dividends are unfortunately subject again to the limitation of a 10% increase under Government decree. Consequently, a maximum final dividend of 1·5528 pence per share is proposed, which together with our interim dividend equivalent to 0·8859 pence per share makes a total dividend for the year of 2·4387 pence per share. This requires a sum of £8·7m., leaving earnings of £27m. retained in the business to help finance our operations.

On pages 24 and 25 of this report we show the effects on our business of inflation and the fall in value of money. The return, after taxation, on assets employed which is 14% when based on historic costs becomes 5% when calculated in terms of the purchasing power of the pound at 31st March 1976, so demonstrating the lower real return which is earned on the assets employed in the Company.

The Sandilands Committee has recommended the adoption of a new method of presentation of accounts based on current costs to show the effects of inflation. Such a method has not yet been fully agreed between the relevant interested bodies, but if it were later to be adopted we think that our profits for the year would not be significantly different from those adjusted for the effects of inflation on the basis set out in the Summary on pages 24 and 25.

Retail Operations

The difficulties with which we had to contend in the previous year continued in 1975-76. Real growth was hard to achieve and retailing costs of all kinds rose faster than prices. Price competition was fierce and this was due more to normal market forces, with retailers reducing margins in attempts to maintain or increase market share, than to the cumbersome Price Code regulations which add much to the administrative costs of retailers and manufacturers alike and in our view are quite unnecessary. Retail distribution in this country performs an essential function upon which the prosperity of a significant sector of the manufacturing industry largely depends and we would like to see greater recognition of this by the Government.

Boots The Chemists

Counter sales increased by 21% of which much the larger proportion arose from cost inflation. However, although nationally there was a decline in demand in volume terms for most of the major product groups in our inventory, we are encouraged that our market share for such products increased, due we believe to the endeavours of our staff, our aggressive pricing and promotion policies and also our Retail Development Programme.

We recently received the results of an image study carried out for us by an independent professional organisation and whilst there is much we can learn from the mass of data produced it is particularly reassuring to note that in these times, difficult for customer and retailer alike, an increasing number of women shop with us regularly, have an increasing awareness of the values we offer and in particular an increasing regard for the price and quality of our ever-widening range of Boots Own Brand products.

Babyboots Departments are now in nearly 200 larger Boots stores and we have consolidated our progress during the year. Sales of nursery equipment and clothing for the under-fives have shown good progress and our customers seem to appreciate the completeness of our range of baby items.

Our dispensing business continues to increase despite a small decrease in the number of our branches. No branch is closed without the most careful consideration and we are concerned to maintain our existing representation wherever possible and to open in new areas where we have the opportunity. An encouraging feature of our new large branches is the high volume of dispensing done by them, thus demonstrating the need for a chemist service in the main shopping centres of the country.

As was anticipated last year, major shopping developments by leading property companies have become much fewer and this is also true of local developments in small towns. Nevertheless our programme of capital investment in new and modernised shops continues at a high level and, during the year, expenditure amounted to £21·1m. compared with £14·3m. in the previous year.

We opened 41 new shops, ranging in size from Bradford (sales area 36,000 sq. ft.) to Shepton Mallet (sales area 1,350 sq. ft.).

In addition to Bradford, large new stores were opened in Luton, Northampton, Hull, Derby, Brent Cross, Chatham, Fareham, Woking, Lowestoft, Hanley and Bognor Regis, and extensions were completed at Dundee, Lancaster, Scarborough and Lewisham.

At the end of the year we had 82 stores with sales areas above 10,000 sq. ft. compared with only 46 four years earlier. The importance of these departmental store branches is growing and they now account for over a third of our total selling space of 3,700,000 sq. ft.

We continued to close a number of very small inadequate shops and, at the end of March, we had 1,273 chemist branches, a decrease of 33. After allowing for closures the net increase in sales area during the year was a record 326,000 sq. ft., compared with 254,000 sq. ft. in 1974-75.

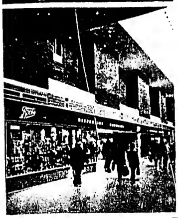
Our Shop Development programme in the current year will be at about the same level as last year, although total sales area gain will be a little less. Large new stores are planned to open in Newcastle, Bedford, Falkirk, Mansfield, Portsmouth, St. Helens, Horsham, Great Yarmouth, Burnley, Rochdale, Irvine and Pontypridd. Major extensions will also be completed in Exeter and Sutton Coldfield.

This very large development programme results not only in more attractive shops, extended ranges of merchandise and thus increased sales but also in more jobs, better working conditions and, overall, lower prices. Modern shops are generally more efficient to operate than old ones and it is therefore regrettable that the Chancellor has again declined to allow taxation relief on investment in retail building developments.

The vast quantity of goods sold in our branches requires an efficient warehousing and distribution service and our shops have been well served during the year. Operating costs in this area have been rising at a greater rate than retail prices and considerable effort has been directed to compensate for this by improved efficiency. We have been able to maintain our ratio of cost of distribution to value of goods supplied by using improved techniques for vehicle scheduling, work planning in warehouses and the use of roll pallets for delivering goods to about 200 shops.

The extension and addition to the Aldershot warehouse became fully operational during the year and the benefits in improved service to the retail branches are now being realised. Staff amenities at Aldershot will be considerably improved when a new staff restaurant which is being built comes into use this year.

Two of the branches opened during the past twelve months.
Above: Shoreham; and below: the large department store in Derby.



Timothy Whites

Our Housewares chain has had another difficult trading year with a sales increase of 10·4% but in our continuing determination to find the right formula for the image of these shops it is pleasing to report an improving trend in both margins and profitability. The business continues to be profitable.

We now have 160 branches with a total selling area of 374,000 sq. ft. This follows the opening last year of a new branch in Camberley, the major extension of Yeovil and the modernisation of York. Continuing our policy of reviewing unprofitable units, 12 branches have been closed. The experiments referred to in last year's report have been carried out in four shops at Barnet, North Finchley, Chelmsford and East Grinstead with encouraging results. The aim in these shops is to give the public the widest selection possible of the 'best sellers' together with new styles and designs for those who seek something different and unusual at price ranges to suit all purses. At the same time changes have been made in the internal and external appearance to create an appropriate atmosphere. It is our intention to extend this experiment to a further seven shops during this coming year.

In the remaining branches a major exercise has been carried out to rationalise the inventory in order to create a more specialist identity based on kitchenware, tableware, home care and electrical merchandise. Certain larger branches also carry additional ranges. Lessons learned from the experimental branches will be progressively applied to the rest of the chain with the objective of building up a strong base from which to expand in the future.

Discounts

The question of whether shareholders should be offered a discount on purchases made in the Company's retail outlets has been raised at the last two Annual General Meetings. The matter has again been considered very carefully by your Board but their unanimous decision is that such a scheme should not be implemented. No other trader in any way comparable with our organisation offers discount facilities to its shareholders; indeed there are only two public companies we have been able to identify which give some form of discount, one is concerned with dry-cleaning and the other with cross-Channel transport. Obviously with our very wide range of consumer products and a very large number of individual shareholders our situation is very different. The administration of such a scheme, including such measures as we would have to take in order to try and control abuse of it, would be costly. Much as we value the support and goodwill of our shareholders we really do not think that a discount scheme is practicable or appropriate.

Retailing in Europe

As many shareholders will know, the laws in the majority of the countries of the E.E.C. do not permit the practice of dispensing and the sale of medicines from company-owned multiple shops. There is no possibility, therefore, for Boots The Chemists to extend its present operations into continental Europe. Nevertheless your Board are unwilling to accept that there is no place for us as retailers in Europe outside the United Kingdom. And so after considering various possibilities we have been engaged in discussions with Nouvelles Galeries, the premier department store chain in France, about one of their subsidiary companies, Beauté, Hygiène et Santé (BHYS) which was formed to open an experimental shop in Paris under the name Sephora just under three years ago.

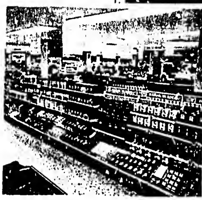
The goods sold by Sephora include cosmetics, perfumes, toiletries, fashion accessories and a miscellany of other products all of which we sell in the U.K., in fact Sephora is not unlike a medium sized Boots branch without the dispensary and medicines counter.

We believe that Sephora could prove a good starting point for a retail development in France and we hope to reach agreement with Nouvelles Galeries and their minority shareholders to acquire 70% of the equity of BHYS, subject to the approvals of the relevant British and French authorities. Once these have been received we and Nouvelles Galeries plan to open further shops in order to extend the experiment.

Manufacture

Output from our U.K. Production Division at manufacturing prices was £108m., an increase of 26% over last year. Our Chemical Department, largely

1.



2.

3.

4.

Views of four new department stores.

1. Bradford, the largest branch opened during the year.
2. Toiletries for Men at Hull.
3. A new d[illegible]ent in Boots merchandising at Brent Cross, North London.
4. Part of the attractive Fashion Department at Luton.

Frank Wright, Director, talking to Barbara Howarth in Nottingham's Victoria Centre branch, and a view of the newly opened Broadmarsh Centre branch, also in Nottingham.

producing specialist pharmaceutical and agricultural chemicals, operated the majority of its plants at full capacity, unlike the U.K. chemical industry generally. Production in the Pharmaceutical Department showed little increase over the previous year and operated somewhat below full capacity, reflecting the general depressed state of the U.K. economy and the consumer market. After a slow start business in the Printing Department improved in the second half of the year as the de-stocking process following the three-day week reached an end.

Tight control of stocks and staff levels, together with the vigorous action taken by our Marketing Departments, enables us both to look back on a year which under the circumstances can be considered satisfactory and to be prepared for whatever an uncertain future may bring in the next. However, it must be said that current economic circumstances together with the general conditions under which productive industry is required to operate do not produce a climate in which the resources and wealth necessary for the healthy future of Britain can readily be produced.

The fourth addition to our Brufen plant has been working at full capacity since mid-1975; further capacity for the production of Brufen (Phase V) and a new plant for the manufacture of the basic starting material are currently under construction and will come on stream in early 1977. The new pharmaceutical factory at Beeston, producing Brufen, Aspirin, Saccharin, Paracetamol, Vitamin and many other tablets, is almost fully operational. It must be one of the largest and most advanced of such factories in the world. Alongside such major projects as these we have a constant stream of smaller schemes of capital expenditure, now amounting to some £6m. annually, to improve, update and augment our processes.

The health and safety of employees has always received top priority; the recent Health and Safety at Work Act therefore imposes upon us no particular burdens. However, considerable management attention has been focussed on the administrative measures necessary to ensure compliance with the Act. Much attention has also been placed on the planning of management succession and we have continued the regular recruitment of young science graduates. We have also added a small number of middle and senior managers to our staff to augment our managerial and technical experience and ability.

The Medicines Act of 1968 established a system of licensing for medicines. In 1971 it became necessary to apply for licences to authorise the manufacture and marketing of medicinal products and the Minister of Health said in a Parliamentary Answer that the cost of administering the licensing system should be borne largely by the pharmaceutical industry by means of licence fees. The cost of the scheme was estimated to be £400,000 per annum and it was ruled that the industry should contribute 60% of the cost.

Recently the Department of Health & Social Security announced that the scheme was now costing £1,400,000 per annum and that this figure was expected to increase. The Department also ruled that the whole of the cost should in future be met by the industry and so a new scale of fees was introduced in March 1976. Before this revised scale of fees was implemented The Boots Company Limited paid annual fees of the order of £4,400. It is expected that the total for the present year will be in the region of £48,000.

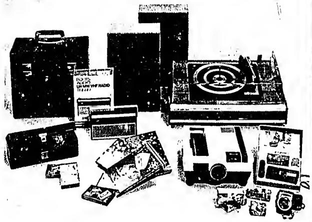
International Marketing

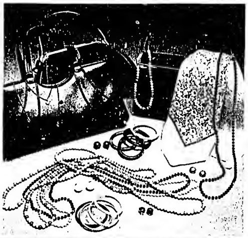
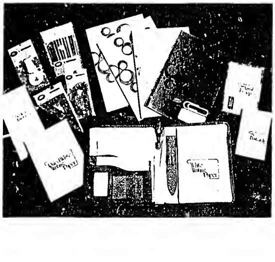
We have again produced record results. In the vital export market we achieved a sales volume of £29·4m., an increase of 28·4% over the previous year, while in the home market non-retail sales were £28·4m., an increase of 24% over the previous year.

In the U.K. sales of research-based ethical pharmaceutical products were very good and in spite of strong competition Brufen, our important antirheumatic product, enjoyed a record year. Two other products, Prothiaden and our Polyfusor range of intravenous fluids, each now exceed £1m. in sales. Crookes Anestan sales continue to be buoyant and our range of sweeteners hold a record share of the market.

For the chemical industry it has been a difficult year due to the down-turn in the plastics, fibres and dyestuffs industry, but our Contracts and Chemical group maintained overall growth and significantly improved sales to the pharmaceutical and food industries.

Exports to Europe continue to show particular growth and we have now introduced Brufen Suppositories and a new 400 mg tablet. Exports to Eastern

A selection illustrating the diverse nature of Boots Own Brand: including the Tru fragrance range; 'Country Born', the de luxe hair care range; and An Original Formula, a new addition to the No7 range.

Statement by the Chairman *continued*

John Hann, Retail Merchandise Director, in discussion with Fred Lane, Manager of the New Brent Cross branch.

Europe have continued to develop impressively with sales now exceeding £1m. annually. In the Soviet Union, Brufen symposia were held during the year in Tbilisi, Leningrad, Vilnius and Moscow at which British, European and Soviet doctors presented papers. The high opinions of Brufen voiced there by the Soviet specialists were a remarkable testimony of the product's success.

Export sales to the Middle East showed substantial growth and in the Far East Brufen continues to be successful in Japan, maintaining its No. 1 position. In the United States, under the trade mark Motrin, our licensees, The Upjohn Company, have established ibuprofen (Brufen) as the leading non-steroidal antirheumatic product. Sales of raw materials to the United States and royalties are now making an important contribution to Company profits.

Sales by our Overseas Companies amounted to £33m., an increase of 31·8%, and pre-tax profit at £6·1m. showed an increase of 61%. These excellent results were assisted by the establishment of two new Boots companies, one in Belgium and one in Holland, to which reference was made last year. There was benefit from the weak pound but, despite this, satisfactory real progress was recorded overseas.

Our Nigerian Company, in which we have owned 60% of the equity since it became, by Government decree, a public company in July 1974, had a record sales increase of more than 80% and pre-tax profits were more than doubled. It is our intention to establish our own pharmaceutical and toiletry manufacturing facility in Nigeria in the near future.

Agro Chemical business continues to expand at home and abroad. Much Research and Development work has been done in support of our new insecticide, Taktic, which is being marketed for the control of cattle tick in the major markets of Australia, South Africa and South America. Recent research work has demonstrated high activity against other parasites which attack sheep and pigs, and this work is being followed up. This insecticide is also being marketed under the name Mitac for the control of red spider mite on crops and we are fully engaged in the registration of this product in the various parts of the world where this insect is an important economic problem. We confidently expect that Mitac and Taktic will soon be making major contributions to our international sales and profits.

Boots Farm Sales in the U.K. has initiated a major reorganisation of its distribution facilities which will be largely completed during 1976 and will ensure continuing improvement in our service to the British farmer.

Charming clothes, plus everything for the under-fives from the continually expanding Babyboots Departments.

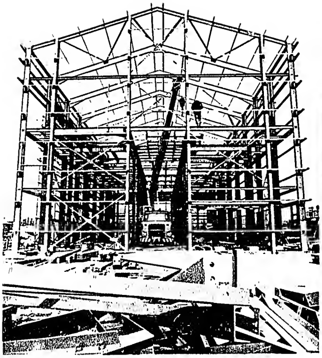
Staff

During 1975-76 we have had to deal with an unprecedented flood of legislation. The Equal Pay Act, the Sex Discrimination Act, the Health & Safety at Work Act, the Employment Protection Act and the Trade Union and Labour Relations Amendment Act have all passed into law and it has been found necessary to set up a special Legislation Committee to ensure that we meet all the requirements.

Our planned progression to equal pay for men and women has been completed; a revised Company-wide safety organisation has been introduced; we have published a Company policy for Equality in Employment and we are reviewing and revising where necessary all our procedures and practices covered by the Employment Protection Act. In our factories and warehouses we have re-introduced a membership agreement negotiated with U.S.D.A.W., our largest trade union.

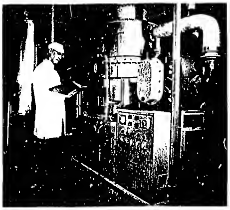
One of the most important developments during the year has been the revision of our long-established Staff Council structure. The number of Staff Councils and Committees has been increased so that every member of staff is now represented. Wholesale and Retail Central Staff Councils have been formed comprising delegates from each of the Staff Councils and Territory Staff Committees together with nominated management members and, where we have negotiating agreements, trade union nominees.

Trade Union involvement in the Wholesale Staff Councils is particularly welcome and means that our two systems of staff representation, through elected staff councillors and by Trade Union shop stewards, have been linked. Nowhere is this seen better than in the first annual meeting of all Wholesale staff councillors and shop stewards—400 in number—held last year at Nottingham University. Every Executive Director of the Company participated in this meeting which all parties regarded as very successful.

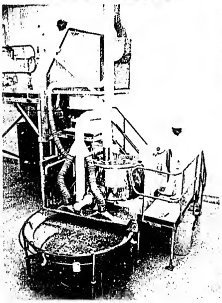


Brufen Phase V—a view of the steel shell for the latest Brufen plant.

Arthur Allsop checking the preparation of very highly purified water used in the production of Polyfusors. Both at Beeston.



Two views of the recently commissioned Tablet Factory at Beeston.



Some of the special packs for products sold in the Far East.

Much that is contained within the Annual Report to shareholders is of interest to the staff and copies are made available at our main centres of employment for those who wish to read it. However this year we have produced a special Report to the Staff to be sent out at the same time as the Annual Report. The Staff Report aims to present the salient points of the Annual Report together with information and background material of special relevance to them. In arranging the content and format of the Report we received valuable help from the Wholesale Central Staff Council. Any shareholder who wishes to see a copy may obtain one by writing to the Company Secretary.

Finally, the Board wish to thank sincerely all members of staff for the way they have worked together during a year in which there have been many difficulties and frustrations. Their co-operation and interest in the business are major factors in our continuing progress.

Prospects

Although assessment of the Company's prospects is always difficult, it is perhaps possible to discern some brightening of the dark horizon. The rate of internal inflation is falling from the peak levels of last year and there is evidence that industry might be beginning to recover. Although unemployment is still high and the standard of living likely to continue to decline, wage settlements this year could possibly be held within the Government's limits. With some income tax relief and a likely upturn in earnings the amount of consumer spending could show a rate of real increase sometime during the year. In countries overseas recovery appears to be under way and with the devaluation of the pound our exports should be stimulated.

Of course there are many uncertainties and continuing problems. The Government and the T.U.C. may not succeed in their expressed determination to reduce inflation and get our economy back into shape. The increasing cost of imported food and raw materials caused by the falling pound will come through into prices and may weaken the Government's resolve not to allow wages to chase prices. We welcome the Prime Minister's statement of the Government's intention to amend the Price Code which, it is now clear, is in its present form a restraint on industrial expansion and investment and as far as retailing is concerned an expensive irrelevance.

But in the hope, even expectation, that national prospects are brighter in 1976-77 than they were in the previous year we can find some particular encouragement in the position of our Company. We are continuing with our programme of capital development which, in real terms, involves investment at levels considerably higher than ever before in our history. Our retail trading policies, our reputation, our national cover and our merchandise serve us well and we shall continue to make progress. When the expected upturn in consumer spending comes our big investments in new retail selling space will put us in an excellent position to take advantage of it.

Strepsils sell all over the world— an advertisement here in Indonesia.

In addition we have the benefit of our non-retail business. With the world as its market this is much less susceptible to the ups and downs of the U.K. economy. Every year it provides an increasing proportion of the Company's total profit and in the year which we have now entered we certainly expect it to continue to do so.

Some Boots Farm Sales products in their newly designed packs.

In order to maintain the progress of our business we must of course earn adequate profits. The profits we have earned in recent years although up in money terms have been falling in terms of purchasing power. We are able to finance our current high rate of capital expenditure because we have available liquid reserves from previous years. We strongly support the CBI in its representations to Government and to the TUC that British industry in general is seriously short of real profit and is therefore not generating enough resources to provide working capital for maintenance and development of its operations. We, like any other efficient British company, must not be prevented by government measures or trade union power from making profits which are in line with our needs. Otherwise our Company will decline and everyone, staff, shareholders and customers, who rely upon us will be the worse for it.

Group profit and loss account for the year ended 31st March 1976

	Notes	1976 £000	1975 £000
Sales		647,509	531,483
Less VAT		36,270	28,672
		611,239	502,811
Profit before taxation	2	72,167	65,673
Taxation	3	35,891	33,990
Profit after taxation		36,276	31,683
Attributable to minority interests		576	273
Profit attributable to shareholders	4	35,700	31,410
Dividends paid and proposed			
Interim of ·8859p per share		3,155	2,900
Proposed final of 1·5528p per share		5,531	5,083
2·4387p per share			
Profit retained		27,014	23,427
Earnings per share	5	10·0p	8·8p

The notes on pages 19 to 23 form part of the accounts

Sources and applications of funds for the year ended 31st March 1976

		1976 £m	1976 £m	1975 £m	1975 £m
Sources	Profit before taxation		72·2		65·7
	Depreciation		8·7		7·3
	Book value of fixed assets sold		2·3		1·5
	Pension provision		8·8		—
			92·0		74·5
	Funds from outside sources		—		·1
			92·0		74·6
Applications	Capital expenditure		32·4		35·7
	Investments		·8		—
	Working capital:				
	Increase in stocks	20·6		13·0	
	Increase in debtors	5·5		6·5	
	Increase in creditors	(17·2)	8·9	(10·8)	8·7
	Redemption of loan capital		·2		·1
	Dividends paid		8·2		7·6
	Taxation paid		24·6		18·9
	Other applications		·2		·2
			75·3		71·2
Net liquid funds	At 31st March 1976	52·1		35·4	
	At 31st March 1975	35·4	16·7	32·0	3·4
			92·0		74·6

Balance sheets — 31st March 1976

Sources of capital	Notes	Group 1976 £000	Group 1975 £000	Parent 1976 £000	Parent 1975 £000
Shareholders' interests					
Share capital	6	**89,042**	44,521	**89,042**	44,521
Share premium	7	**—**	3,289	**—**	3,289
Reserves	8	**116,908**	130,916	**55,882**	78,615
		205,950	178,726	**144,924**	126,425
Loan capital	9	**11,623**	11,819	**7,743**	7,743
Minority interests		**1,231**	849	**—**	—
Deferred taxation	10	**31,122**	26,138	**8,533**	10,301
Provision for pensions	2	**8,830**	—	**8,830**	—
		258,756	217,532	**170,030**	144,469

Employment of capital	Notes	Group 1976 £000	Group 1975 £000	Parent 1976 £000	Parent 1975 £000
Fixed assets	11	**169,796**	148,139	**34,166**	29,695
Subsidiaries	12	**—**	—	**83,817**	73,795
Investments	13	**852**	23	**826**	—
Net current assets	14	**88,108**	69,370	**51,221**	40,979
		258,756	217,532	**170,030**	144,469

G. I. HOBDAY
D. E. M. APPLEBY } Directors

The notes on pages 19 to 23 form part of the accounts

Notes relating to the accounts

1. Accounting policies

Consolidation

The group accounts combine the profits, assets and liabilities of the company and its subsidiaries after eliminating inter-company profits and providing for minority interests in subsidiaries. The excess of cost of investments in subsidiaries over net assets acquired has been written off against reserves. Subsidiary companies are those in which the company holds, either directly or through another subsidiary, more than fifty per cent of the equity share capital.

The accounts of all UK subsidiaries are made up to 31st March 1976, whereas the accounts of overseas subsidiaries are made up to 31st December 1975 in order to facilitate early presentation of group accounts.

The accounts of overseas subsidiaries are converted into sterling at rates of exchange approximating to those ruling at 31st March 1976. Profits and losses arising on conversion of net current assets of those subsidiaries are included in profit before taxation and where they relate to fixed assets less loans, are dealt with through reserves.

Sales

These comprise sales to external customers and include value added tax on UK retail sales.

Depreciation

Depreciation is calculated to write off assets during their expected normal lives. Property and shop fixtures and fittings are depreciated in equal annual instalments, and plant, including vehicles, by fixed percentages of residual book values.

Stock

Stock is valued at the lower of cost and net realisable value. Cost of manufactured goods comprises direct labour, materials and factory overheads, certain administration overheads being included in the cost of finished products. Warehouse and delivery costs are not included in the valuation of retail stocks.

Research and development

Expenditure, other than on buildings and plant, is charged against profits in the year in which it is incurred.

Pension funding

The company and its UK subsidiaries operate pension schemes covering the majority of employees under which contributions by employees and by the company are held in a trustee-administered fund completely separated from the company's finances. Certain overseas companies operate their own pension schemes.

Deferred taxation

This comprises:

(i) Tax at 52% on the excess of the book value of those fixed assets which qualify for taxation allowances over their taxation written down value.
(ii) Tax at 52% on other major timing differences.
(iii) Stock appreciation relief for the three years ended 31st March 1976.
(iv) A deduction for advance corporation tax recoverable.

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries.

2. Profit before taxation

		1976 £000		1975 £000
(a) Profit before taxation includes:				
Income from short term investments		5,597		4,912
Income from quoted investments		14		—
Income from unquoted investments		1		2
and is after charging: Depreciation		8,743		7,259
Profit earning bonus for staff		6,096		5,607
Bank and other short term interest		391		325
Computer and plant hire		1,026		674
Remuneration of auditors		91		59
Remuneration of directors of parent company:				
As directors	16		15	
As executives	305		279	
		321		294
Interest on loan capital		814		822

(b) £8,830,000 has been charged against 1976 profits representing the actuarial deficit declared at 31st March 1974 in Boots Pension Fund, a separately administered trust. This was noted in the 1975 report and accounts.

	1976	1975
(c) Remuneration of directors: Chairman	42	36
Others:	Number	Number
£32,501 to £35,000	1	—
£30,001 to £32,500	1	1
£25,001 to £27,500	1	—
£22,501 to £25,000	—	1
£20,001 to £22,500	2	1
£17,501 to £20,000	1	2
£15,001 to £17,500	2	2
£12,501 to £15,000	—	1
Not more than £2,500	3	3
(d) Number of employees earning: £12,501 to £15,000	27	8
£10,001 to £12,500	48	39

Notes relating to the accounts continued

3. Taxation

The taxation charge on the profit of the year consists of:

	1976 £000	1975 £000
UK corporation tax at 52%	30,891	27,332
Deferred taxation	5,324	5,663
Relief for overseas taxation	(1,219)	(1,060)
	34,996	31,935
Transitional relief for advance corporation tax	(1,844)	—
Total UK taxation	33,152	31,935
Overseas taxation	2,739	2,055
	35,891	33,990

4. Profit retained by parent company

	1976 £000	1975 £000
Attributable to shareholders	35,700	31,410
Deduct profit retained by subsidiaries	8,780	7,015
Profit of parent company	26,920	24,395
Deduct dividends paid and proposed	8,686	7,983
Retained by parent company	18,234	16,412

5. Earnings per share

The calculation of earnings per share is based on earnings of £35,700,000 (1975 £31,410,000) and 356,167,936 ordinary shares in issue since July 1975. Earnings per share of the previous year have been adjusted to reflect the capitalisation issue.

6. Share capital

		1976 £000	1975 £000
Ordinary shares of 25p each:	Authorised	100,000	50,000
	Issued and fully paid	89,042	44,521

The company's authorised share capital was increased on the 17th July 1975 to £100,000,000 by the creation of 200,000,000 additional ordinary shares of 25p each.

On the same date a capitalisation issue was made of one ordinary share for each ordinary share previously held.

7. Share premium account

	1976 £000	1975 £000
At 31st March 1975	3,289	3,289
Applied towards capitalisation issue	(3,289)	—
At 31st March 1976	—	3,289

8. Reserves

	Group £000	Parent £000
At 31st March 1975	130,916	78,615
Profit retained	27,014	18,234
Applied towards capitalisation issue	(41,232)	(41,232)
Currency adjustments	210	265
At 31st March 1976	116,908	55,882

The directors have provisionally earmarked as unavailable for distribution £8·46m of these reserves towards a potential deficit in Boots Pension Fund at 31st March 1977.

Notes relating to the accounts continued

9. Loan capital		Group 1978 £000	Group 1975 £000	Parent 1976 £000	Parent 1976 £000
Secured:					
	3½% first mortgage debenture stock 1982	1,000	1,000	—	—
	4¾% mortgage loan	37	221	—	—
	8½% debenture stock 1978/82	277	254	—	—
Unsecured:	6% loan stock 1978/83	2,086	2,066	2,066	2,066
	6½% loan stock 1983/88	1,068	1,073	—	—
	7¾% loan stock 1888/93	5,877	5,677	5,677	5,877
	8% loan stock 1986/91	1,500	1,528	—	—
		11,823	11,819	7,743	7,743

(a) All loans are repayable at par, except the 8% loan stock, which is repayable at £1Cb per cent.

(b) The 4¾% mortgage loan is repayable after 1st March 1977 on notice from the lenders.

(c) The 8½% and 8% loan stocks are redeemable by yearly sinking funds.

10. Deferred taxation	Group 1876 £000	Group 1975 £000	Parent 1976 £000	Parent 1875 £000
On excess of book value of fixed assets over their taxation written down value	28,172	18,908	10,144	7,746
On other major timing differences	(5,954)	(573)	(6,895)	(1,323)
Stock appreciation relief for the three years ended 31st March 1976	13,882	8,698	8,382	8,815
Advance corporation tax recoverable	(2,878)	(2,737)	(2,878)	(2,737)
Transitional relief for advance corporation tax	—	1,844	—	—
	31,122	28,138	8,533	10,301

11. Fixed assets		Group Property £000	Group Fixtures and plant £000	Group Total £000	Parent Property £000	Parent Fixtures and plant £000	Parent Total £000
Cost or valuation	At 1st April 1976	119,187	78,314	197,501	20,457	29,337	48,784
	Capital expenditure	13,755	18,637	32,392	2,136	5,577	7,713
	Disposals	(2,183)	(2,463)	(4,646)	(145)	(872)	(817)
	Transfers and adjustments	216	198	414	—	(20)	(20)
	At 31st March 1976	130,975	94,686	225,661	22,448	34,222	58,870
	Cost	82,708	94,688	177,394	12,834	34,222	47,058
	Independent valuation 1958	9,824	—	9,624	9,814	—	9,814
	1959	1,328	—	1,326	—	—	—
	1965	38,217	—	36,217	—	—	—
	Directors' valuation 1971	1,100	—	1,100	—	—	—
		130,975	94,686	225,661	22,448	34,222	58,670
Depreciation	At 1st April 1976	15,458	33,904	49,362	5,690	14,409	20,099
	Depreciation for year	2,139	6,804	8,743	512	2,360	2,872
	Disposals	(403)	(1,971)	(2,374)	(6)	(460)	(466)
	Transfers and adjustments	47	87	134	—	(1)	(1)
	At 31st March 1976	17,241	38,624	55,865	6,196	16,308	22,504
Net book value at 31st March 1976		113,734	56,062	169,796	16,252	17,914	34,166

The tenure of properties is as follows:	Group Freehold £000	Group Long lease £000	Group Short lease £000	Group Total £000	Parent Freehold £000	Parent Long lease £000	Parent Short lease £000	Parent Total £000
Cost or valuation	98,025	14,948	18,002	130,975	21,280	111	1 057	22,448
Depreciation	11,476	1,687	4,078	17,241	5,838	18	340	6,196
Net book value	86,549	13,261	13,924	113,734	15,442	93	717	16,252

Notes relating to the accounts continued

12. Subsidiaries

		1978 £000	1975 £000
(a) Investments:	At book value of net assets at acquisition	15,268	15,268
	At cost	12,840	12,505
		28,108	27,773
(b) Loans:	Due to parent	10,087	10,046
	Due to subsidiaries	(37)	(31)
Current accounts:	Due to parent	51,742	40,911
	Due to subsidiaries	(5,083)	(4,904)
		55,709	46,022
		83,817	73,795

(c) Investments in overseas subsidiaries are expressed at local currency cost converted into sterling at the exchange rate ruling on 31st March 1976.

(d) A list of the principal subsidiaries is shown on page 4.

13. Investments

		1978 £000	1975 £000
Quoted:	Holding in Kakenyaku Kako in Japan at cost (Market value on Tokyo Stock Exchange—£947,000)	828	—
Unquoted:	At cost less amounts written off (Directors' valuation—£30,000)	28	23
		852	23

A subsidiary has an unquoted investment of approximately 30% in Beacon Products Ltd. which operates in Eire. The latest audited accounts to 31st December 1973 showed issued share capital of £51,900 and reserves of approximately £58,000.

14. Net current assets

	Group 1978 £000	Group 1975 £000	Parent 1978 £000	Parent 1975 £000
Stocks	107,810	87,044	52,301	40,893
Debtors	37,884	32,424	24,987	21,080
Cash and short term investments	70,481	50,405	88,831	46,654
	215,975	169,873	144,119	108,627
Creditors	71,391	54,173	54,548	40,612
Due to bankers	18,403	15,003	17,299	13,636
Taxation	32,542	26,244	15,520	8,317
Final dividend	5,531	5,083	5,531	5,083
	127,867	100,503	92,898	67,648
	88,108	69,370	51,221	40,979

Overdrafts of certain overseas subsidiaries amounting to £955,000 at 31st December 1975 (1974 £1,240,000) were secured on the assets of those subsidiaries.

Stocks comprise:		Group 1978 £000	Group 1975 £000	Parent 1978 £000	Parent 1975 £000
Manufacturing:	Raw materials	9,004	8,737	8,721	8,361
	Work in progress	4,876	3,187	4,615	3,003
	Finished goods	7,529	5,690	4,887	2,643
		21,409	17,614	18,223	14,007
Retailing		79,163	64,325	34,078	26,886
Overseas subsidiaries		7,038	5,105	—	—
		107,610	87,044	52,301	40,893

Notes relating to the accounts continued

15. Commitments

Future capital expenditure approved by the directors and not provided for in these accounts is as follows:

	Group 1976 £000	Group 1975 £000	Parent 1976 £000	Parent 1975 £000
Contracts placed	**32,269**	22,922	**9,100**	2,930
Contracts not placed	**3,995**	5,081	**412**	682
	36,264	28,003	**9,512**	3,612

16. Contingent liabilities

Certain overseas subsidiaries had discounted bills of exchange at 31st December 1975 amounting to £572,000 (1974 £469,000).

The parent company has guaranteed the bank overdrafts of certain subsidiaries to a total of £582,000 at 31st March 1976 (1975 £101,000).

Report of the auditors to the members of The Boots Company Ltd.

We have examined the accounts set out on pages 16 to 23 which have been prepared under the historical cost convention but including the revaluation of certain properties. In our opinion under that convention the accounts give a true and fair view of the state of affairs of the company and of the group at 31st March 1976 and of the profit and sources and applications of funds of the group for the year to that date and comply with the Companies Acts 1948 and 1967.

In our opinion the supplementary statements set out on pages 24 and 25 prepared under the current purchasing power convention as described in note 1 on page 25 fairly restate in summarised form the results for the year and financial position of the group at 31st March 1976 under that convention.

PEAT, MARWICK, MITCHELL & CO., Chartered accountants, Birmingham and London. 20th May 1976.

Summary of results adjusted for the effects of inflation

Group profits	Notes	Current general purchasing power basis 1976 £m	Current general purchasing power basis 1975 £m	Historical basis 1976 £m	Historical basis 1975 £m
Sales		**689·1**	698·4	**647·5**	531·5
Profit before taxation	2	**56·4**	69·3	**72·2**	65·7
Taxation		**35·9**	40·8	**35·9**	34·0
Profit after taxation		**20·5**	28·5	**36·3**	31·7
Attributable to minority interests		**·6**	·3	**·6**	·3
Profit attributable to shareholders		**19·9**	28·2	**35·7**	31·4
Dividends		**8·8**	9·8	**8·7**	8·0
Profit retained		**11·1**	18·4	**27·0**	23·4

Financial position at 31st March 1976

	Notes	CGPP 1976 £m	CGPP 1975 £m	Historical 1976 £m	Historical 1975 £m
Fixed assets	3	**310·2**	296·8	**169·8**	148·1
Investments		**1·0**	—	**·9**	—
Net current assets		**89·8**	87·1	**88·1**	69·4
		401·0	383·9	**258·8**	217·5
Loan capital		**11·7**	14·3	**11·7**	11·8
Minority interests		**1·3**	·9	**1·3**	·9
Deferred taxation		**31·1**	31·7	**31·1**	26·1
Provision for pensions		**8·8**	—	**8·8**	—
Total shareholders' interests		**348·1**	337·0	**205·9**	178·7

Ratios

	CGPP 1976	CGPP 1975	Historical 1976	Historical 1975
Earnings per share	**5·6p**	7·9p	**10·0p**	8·8p
Dividends (times covered)	**2·3**	2·9	**4·1**	3·9
Profit after taxation as % of capital employed	**5·1%**	7·4%	**14·0%**	14·6%
Taxation as % of profit before taxation	**63·7%**	58·9%	**49·7%**	51·8%

Notes relating to results adjusted for the effects of inflation

1. Basis of adjustment

The figures shown in the financial accounts have been converted into pounds of current general purchasing power by using factors which give effect to the decline in the value of money due to inflation.

The factors are calculated from changes in appropriate price indices ("the consumers' expenditure deflator" for transactions prior to 1962, and "the index of retail prices" for transactions from 1962 to 31st March 1976).

The adjusted figures for both 1975 and 1976 are therefore measured in pounds of purchasing power at 31st March 1976 when the index was 150·6 (31st March 1975: 124·3).
Both figures are based on January, 1974 = 100.

2. Profit before taxation

Reconciliation of profit on the two bases	1976 £m	1976 £m	1975 £m	1975 £m
Profit before taxation (historical basis)		72·2		65·7
Adjustments to convert to current general purchasing power basis:				
Stocks	(19·7)		(13·6)	
Depreciation of fixed assets	(9·7)		(6·3)	
Gain on net monetary liabilities	10·0		8·5	
Sales, purchases and expenses	3·6	(15·8)	3·6	(7·8)
		56·4		57·9
Adjustment required to restate last year's profit in 1976 pounds		—		11·4
Profit before taxation (current general purchasing power basis)		56·4		69·3

3. Fixed assets

		Current general purchasing power basis 1976 £m	1975 £m	Historical basis 1976 £m	1975 £m
Cost or valuation:	Properties	272·6	263·7	131·0	119·2
	Fixtures and plant	177·9	164·0	94·7	78·3
		450·5	427·7	225·7	197·5
Depreciation:	Properties	45·7	42·1	17·3	15·5
	Fixtures and plant	94·6	88·8	38·6	33·9
		140·3	130·9	55·9	49·4
Fixed assets		310·2	296·8	169·8	148·1

Properties
Revalued properties have been converted by referring to the index at the date of revaluation. Subsequent outlay has been converted by reference to date incurred.

4. Overseas results

Overseas figures have been included at historical cost and no conversion to a current purchasing power basis has been made since the figures are not considered to be material.

Group financial record

		£m 1976
Sales and profits	**Sales**	647·5
	Profit before taxation	72·2
	Taxation	35·9
	Profit after taxation	36·3
	Minority interests	·6
	Dividends paid	8·7
	Income tax on dividends	—
Funds retained	Profit retained	27·0
	Depreciation	8·7
		35·7
Capital expenditure		32·4
Sources of capital	Share capital	89·0
	Reserves	116·9
	Shareholders' interests	205·9
	Loan capital	11·7
	Other sources	41·2
		258·8
Employment of capital	Fixed assets	169·8
	Investments	·9
	Net current assets	88·1
		258·8
Other statistics	Earnings per share (note 1)	10·0p
	Dividend per share (gross/including tax credit) adjusted for capitalisation issues	3·8p
	Profit after taxation as % of net book value of capital employed (note 2)	14·0

Notes

1. No figures are shown for earnings per share prior to 1974 since they would not be on a comparable basis due to changes in the taxation system.
2. The book value of the group's property which approaches 50% of the capital employed is, in the opinion of the directors, substantially below its current value.

1975	1974	1973	1972	1971	1970	1969	1968	1967
531·5	441·5	368·1	303·5	257·4	223·9	212·2	161·6	150·9
65·7	63·7	56·7	34·2	25·0	20·2	19·1	16·8	14·9
34·0	32·8	22·8	14·5	10·7	9·2	9·1	7·6	6·0
31·7	30·9	33·9	19·7	14·3	11·0	10·0	9·2	8·9
·3	·2	·1	·1	—	—	—	—	—
8·0	7·3	6·9	6·0	5·1	4·5	3·9	3·3	3·2
—	—	1·4	3·8	3·4	3·1	2·8	2·3	2·2
23·4	23·4	25·5	9·8	5·8	3·4	3·3	3·6	3·5
7·3	6·2	5·6	5·2	4·9	4·4	4·2	3·6	3·2
30·7	29·6	31·1	15·0	10·7	7·8	7·5	7·2	6·7
35·7	25·0	11·9	10·6	9·5	8·3	6·2	6·9	8·1
44·5	44·5	44·5	44·5	44·5	44·5	44·5	38·4	38·4
134·2	110·9	89·0	63·4	[illegible]	49·5	45·4	39·1	35·1
178·7	155·4	133·5	107·9	99·4	94·0	89·9	77·5	73·5
11·8	11·9	12·3	12·4	12·4	12·5	12·6	2·1	2·1
27·0	9·6	4·3	4·9	4·0	3·9	5·4	3·8	3·1
217·5	176·9	150·1	125·2	115·8	110·4	107·9	83·4	78·7
148·1	121·3	104·5	99·5	95·8	91·9	89·8	70·4	67·5
—	—	—	—	—	—	—	—	—
69·4	55·6	45·6	25·7	20·0	18·5	18·1	13·0	11·2
217·5	176·9	150·1	125·2	115·8	110·4	107·9	83·4	78·7
8·8p	8·7p							
3·4p	3·1p	2·9p	2·8p	2·4p	2·2p	1·9p	1·8p	1·8p
14·6	17·5	22·6	15·7	12·3	10·0	9·2	11·1	11·2

Shareholders' interests

Shareholdings range	Shareholders Number	Shareholders %	Shares Number	Shares %
1—500	41,040	36·3	11,419,892	3·2
501—1,000	27,039	23·9	20,570,036	5·8
1,001—10,000	42,602	37·7	117,296,111	32·9
10,001—100,000	2,197	1·9	51,334,455	14·4
100,001—1,000,000	261	·2	79,660,027	22·4
Over 1,000,000	35		75,887,415	21·3
	113,174		356,167,936	

Category of shareholders	Shareholders Number	Shareholders %	Shares Number	Shares %
Pension funds	230	·2	16,970,028	4·8
Insurance companies	473	·4	50,800,226	14·3
Investment trusts	337	·3	12,619,216	3·5
Bank and nominee companies	5,580	4·9	99,856,827	28·0
Other corporate bodies	1,036	·9	14,876,012	4·2
Other shareholders	105,518	93·3	161,045,627	45·2
	113,174		356,167,936	

The directors are not aware that any person held 10% or more of the share capital of the company on 17th May 1976.

Directors' shareholdings and transactions

The names of the directors and the interests of each director and his family in the share and loan capital of the company at 31st March 1976 are shown below. Holdings at 1st April 1975 are shown in brackets where these differ.

	Number of shares Beneficially held	Number of shares Otherwise held	Loan stock All beneficially held
G. I. Hobday, Chairman	24,000 (12,000)	—	£101
A. D. Spencer, Managing director	2,500 (1,250)	—	—
D. E. M. Appleby, Managing director	3,200 (1,600)	—	—
J. H. Arkell, C.B.E.	3,000 (1,500)	—	—
L. A. Coombs	4,000 (2,000)	—	—
H. J. Hann	2,000 (1,000)	400 (200)	—
B. Jefferies	5,686 (2,000)	—	£177
P. T. Main, M.D.	1,100 (500)	—	—
Lord Redmayne, P.C., D.S.O.	4,000 (2,000)	—	—
M. J. Verey	7,300 (3,650)	—	—
A. G. S. Wilkes	1,100 (354)	—	—
F. W. Wright, F.P.S.	800 (400)	—	—

Directors' holdings at 17th May 1976 are unchanged.

Printed by The Boots Company Ltd., Nottingham, England.